

HOUSE BILL 1715
By DeBerry L

AN ACT to amend Tennessee Code Annotated, Title 65, Chapter 5, relative to communications.

WHEREAS, the introduction of competition in the local exchange telephone market poses risks to both incumbent telephone carriers and consumers, it is the intent of the general assembly to insure that incumbent carriers are able to earn a just and reasonable return on their investments and that consumers are charged reasonable rates; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 65-5-209, is amended by adding the following new subsections:

(l) When an incumbent local exchange company is under price regulation under this section, the authority may conduct a contested case proceeding to determine whether competition is sufficient in the Tennessee telecommunications marketplace to insure that the company does not earn in excess of a just and reasonable return. The authority shall make a determination of insufficient competition if the rate of return on equity for the incumbent's intrastate operations is more than twenty percent (20%). If such finding of insufficient competition is made, the authority shall return the incumbent local exchange company to rate of return regulation.

(m) When an incumbent local exchange company is under price regulation under this section and has lost to competing local exchange carriers more than ten percent (10%) of the company's total local access lines, the authority shall conduct a contested case proceeding to determine whether the company's return on equity on its intrastate operations has fallen below a just and reasonable level. If the authority determines that the company is not earning a just and reasonable return, the authority shall authorize the company to increase rates so as to be able to earn a return on equity of not less than twelve percent (12%) and shall thereafter return the company to rate of return regulation.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring

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